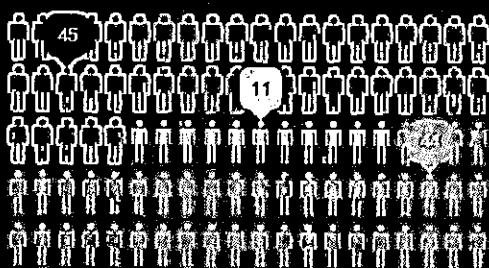


# Retirement at Risk

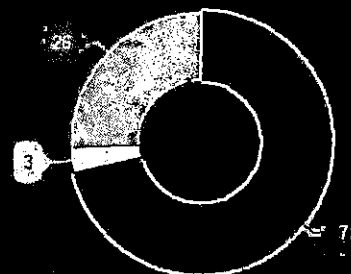
○ No retirement plan at work   ● Retirement plan at work, but does not participate   ● Retirement plan at work, participates

Nearly 1 million Coloradans do not participate in workforce retirement plans...  
(private-sector workers, age 25-64)

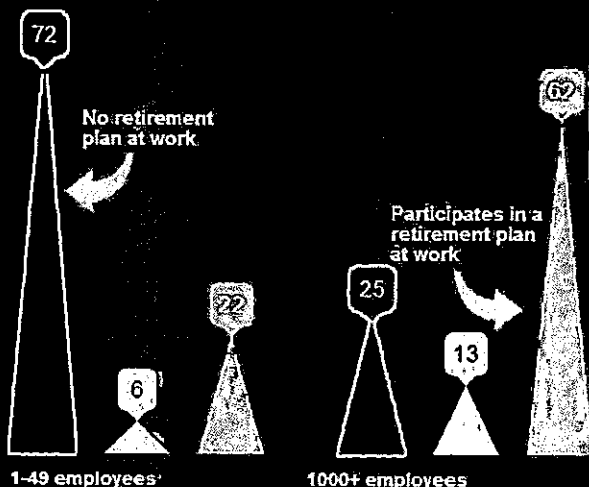
...mostly because they lack access at work



Of all Colorado private-sector workers in their prime working years, just 45% participate in a workplace retirement plan



Self-Employed Coloradans (non-incorporated) report having no retirement plan at work a whopping 72% of the time, with only 26% participating in workplace retirement plans



Smaller firms are less likely to offer retirement plans to their workers

Workers at firms between one and ten people lack a retirement plan at work 81% of the time compared to those who work in firms of a thousand or more, where only 25% lack access to a retirement plan.

Sources:

- Based on data from the Bell Policy Center report "Retirement at Risk" 2014
- CPS March Supplement, private-sector workers aged 25-64 in Colorado
- All numbers in this info-graphic are percentages.

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## Retirement at risk

- *Nearly 1 million Coloradans do not participate in workplace plans*
- *765,000 employees have no retirement program at work*

Rich Jones, Director of Policy and Research

Alison Suzukamo, Policy Fellow

April 21, 2014

### Executive summary

Workplace retirement plans, along with Social Security and personal savings, are a critical tool for families to prepare for a secure retirement.

But in Colorado, nearly 1 million private-sector workers in their prime working years do not participate in either traditional pension plans or 401(k)-type defined-contribution plans at work. More than 80 percent of them work for employers who do not offer any form of retirement plan, making lack of access the No. 1 reason Coloradans do not save for retirement.

Low-wage workers, Latinos, young workers and those who work for small businesses are among those least likely to have access to retirement plans at work. They are also less likely to participate in plans when offered.

The implications of this lack of access are troubling. A financially secure retirement should be a reward for a lifetime of work. Those who can save adequately for retirement during their working years are more likely to be self-sufficient in retirement and to pass along some assets to future generations. Those who are not able to save adequately are more likely to live in poverty and depend on family members or public assistance to make ends meet. And younger workers who have to help their parents or grandparents in retirement will be less able themselves to begin saving for retirement, perpetuating the cycle of financial instability.

This Bell Policy Center brief describes the extent to which Colorado workers have access to and participate in retirement savings plans at work. It uses data from the U.S. Census Bureau's Current Population Survey, focusing on private-sector workers aged 25 to 64 who work for wages or salaries as well as self-employed workers whose businesses are incorporated. These workers comprise a majority of Colorado's workforce.



## Retirement at risk

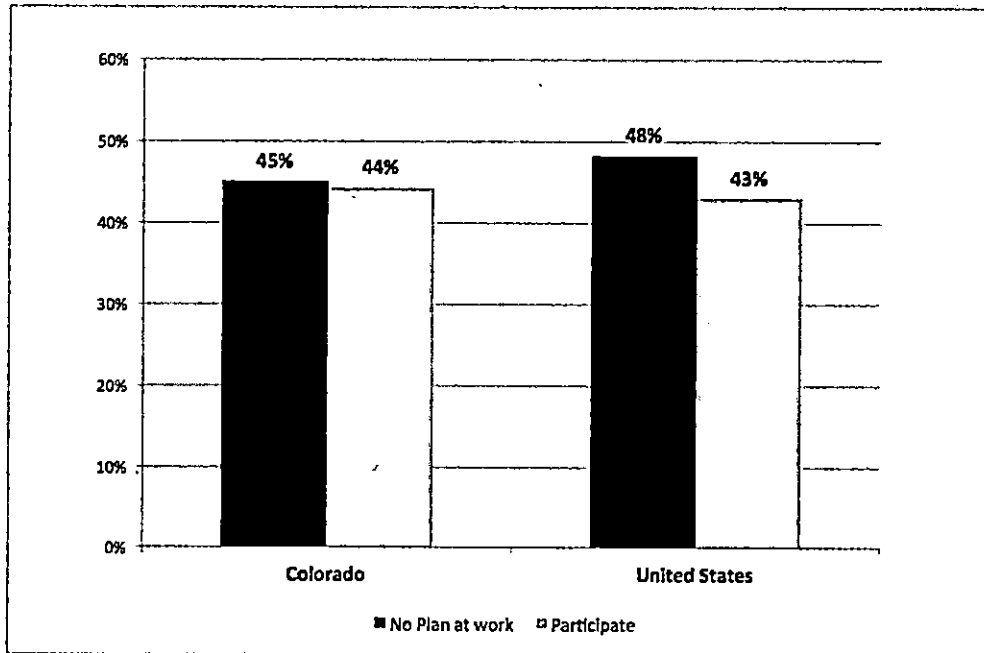
The brief also identifies some of the reasons why so few workers have access to retirement plans and some policy options for increasing access and participation. Finally, it explores what other states are doing as well as a recent proposal to address the problem in Colorado.

### More than half of Colorado's private-sector workers do not participate in workplace retirement plans,

Forty-five percent of private-sector workers aged 25 to 64, or 765,717 Coloradans, work for employers who do not provide any type of retirement plan. Another 10 percent, or 179,504 workers, work for employers who offer plans, but they do not participate, either because they are not eligible or because they choose not to join. That means that only 44 percent of private-sector workers, or 751,944 Coloradans, participate in some form of workplace retirement plan.<sup>1</sup>

Colorado rates slightly better than the national average in these areas. Nationally, 48 percent work for employers who do not offer retirement plans, while 43 percent participate in plans at work.

**Figure 1 – Employer-sponsored retirement plan coverage**  
(Private sector, 2011-2013)

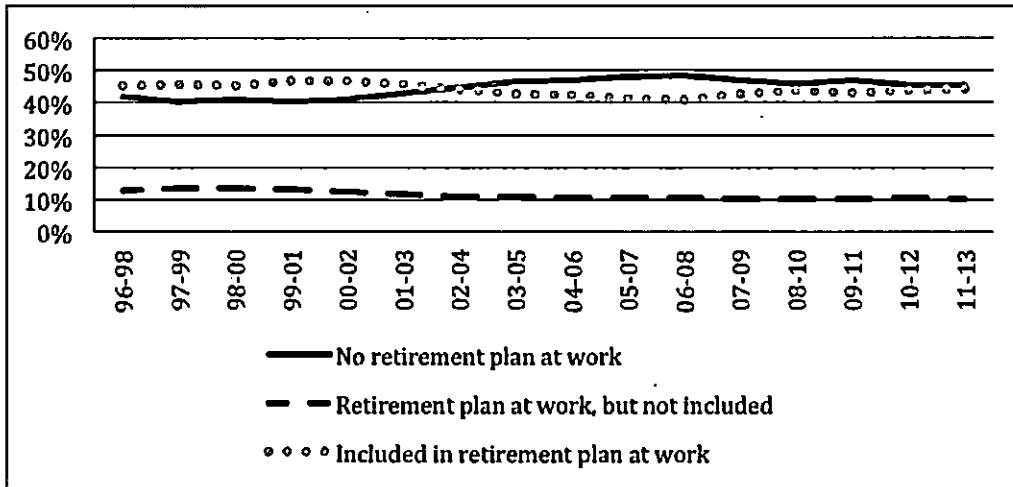


The portion of Colorado private-sector workers age 25-64 who work for employers who do not provide retirement plans has grown by 10 percent in less than two decades – from 42 percent in 1996-1998 to 46 percent in 2011-2013. After dropping in the mid-1990s, the percentage of workers who have plans at work but do not participate remained fairly constant at 10 percent over this period. (See Figure 2, next page.)



## Retirement at risk

Figure 2 – Access to workplace retirement plans  
(Private sector, Colorado, 1996-2013, three-year averages)



### Some workers more likely *not* to have access to workplace retirement plans

Overall, certain categories of workers are either more likely not to be offered retirement plans at work or are less likely to participate in plans when offered:

1. Low-wage workers
2. Those who work for small businesses
3. Young workers
4. Members of minority groups

#### 1. Low-paid workers not likely to be offered retirement plans

There is a wide disparity in access to workplace retirement plans based on earnings, with the lowest earners far more likely not to have retirement plans.

Almost three-quarters of the workers in the bottom 20 percent of earnings (\$21,000 a year or less) work for employers who do not offer retirement plans. In addition, 11 percent of the workers in this group do not participate in available retirement plans, either because they are not eligible or they choose not to. Only 14 percent of workers at this income level participate in workplace retirement plans.

The picture improves as workers' earnings increase. Half of the workers in the next to lowest group (earning \$21,001 to \$39,000) work for employers who do not offer a plan. Another 14 percent do not participate in available plans. About one-third (34%) of workers in this quintile participate in workplace retirement plans.

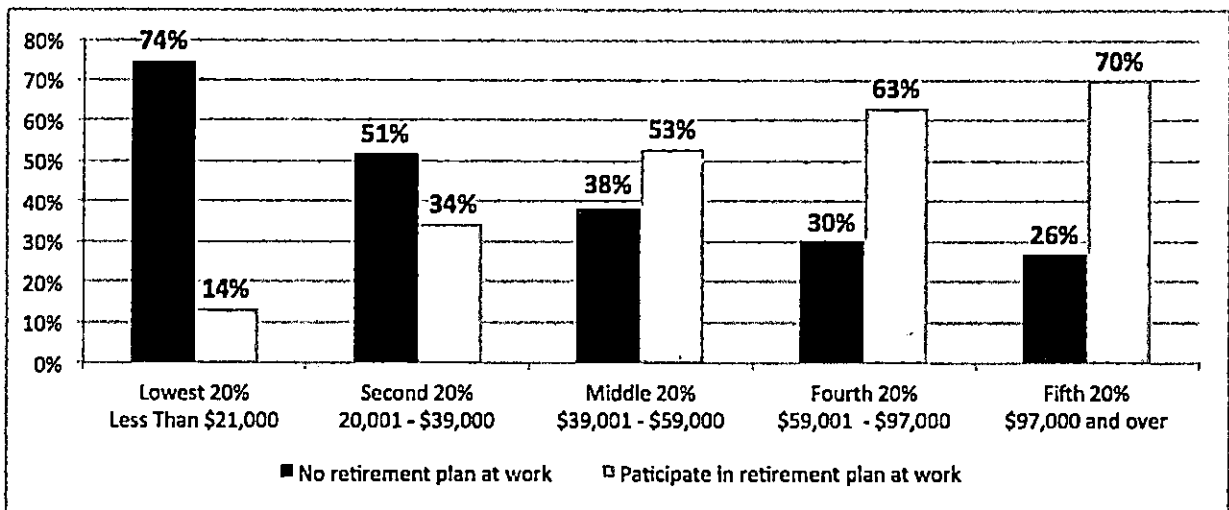
Seventy percent of workers earning \$59,001 and above are offered retirement plans, and about two-thirds of them participate.



## Retirement at risk

While Colorado is a relatively wealthy state with a large number of highly skilled people earning good salaries there are many workers struggling to advance into the middle class. In 2012, about one out of five Coloradans or 470,000 workers were employed in occupations whose median annual pay was below the poverty threshold for a family of four or \$23,050.<sup>2</sup> Access to workplace retirement plans will help these low-wage workers build toward a more financially secure retirement.

**Figure 3 – Worker access to workplace retirement plans by earnings quintile**  
(Private sector, Colorado, 2011-2013)



### 2. Typically, small businesses do not offer retirement plans

Workers in small businesses are much less likely to be offered retirement plans than workers at large companies. This contrast is most stark for those working in very small businesses.

Eighty-one percent of workers in businesses with 10 or fewer employees, and 62 percent of those in companies with 11 to 49 workers, have no workplace retirement plans. By contrast, more than 60 percent of workers in companies with 500 or more employees are offered retirement plans. (See Figure 4, next page.)

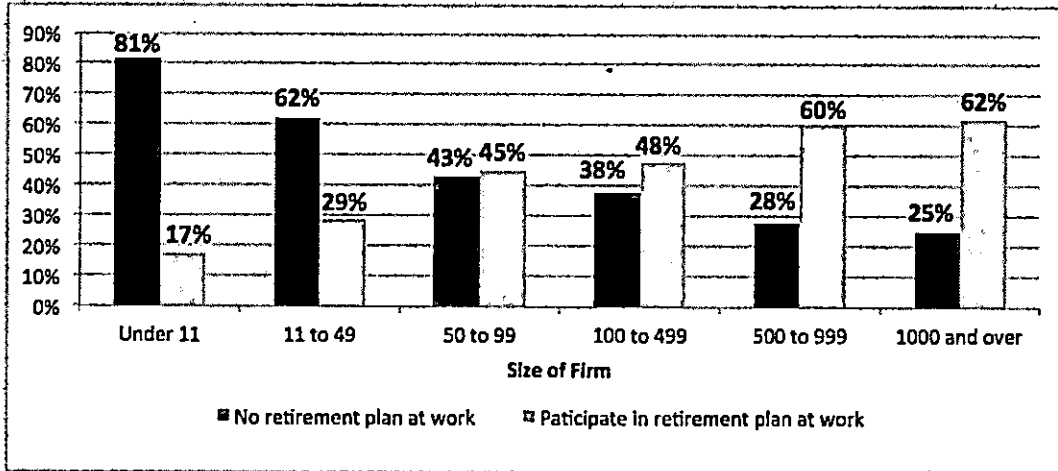
The lack of access for workers in small firms is particularly troubling because Colorado's economy has a large number of small businesses. In 2012, about one-third of Colorado's workers were employed in businesses with fewer than 50 employees and about 25 percent were employed by businesses with 19 or fewer employees.<sup>3</sup>

When combined with the data showing that 72 percent of self-employed workers in businesses that are not incorporated do not have retirement plans at work – 141,095 Coloradans – it is clear that small business is a major segment of Colorado's economy that lacks access to workplace retirement plans.



## Retirement at risk

**Figure 4 – Private-sector workplace retirement plans by size of firm**  
(Private sector, Colorado, 2011-2013)



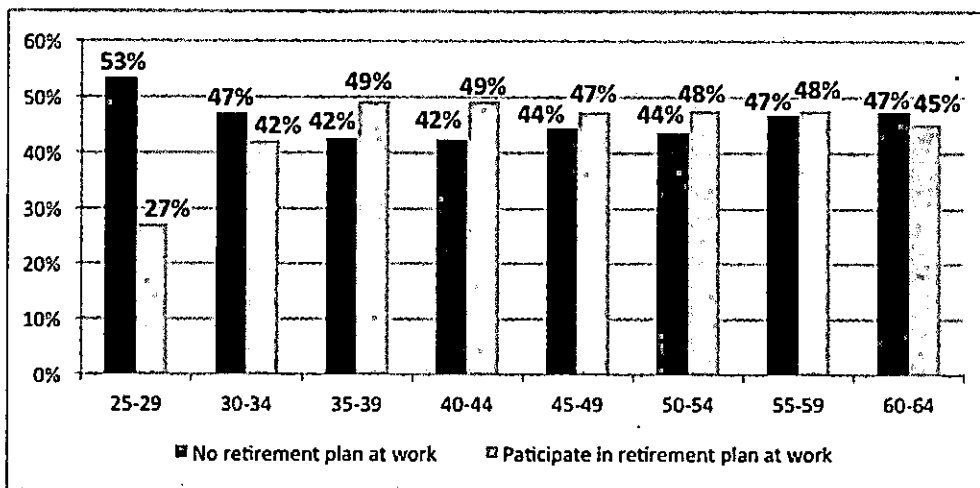
### 3. Young workers more likely to miss out on retirement plans

Workers in the 25-29 age group are more likely to work for employers who do not provide retirement plans and are more likely not to participate in plans that are offered. Fewer than 30 percent of these workers participate in workplace retirement plans.

More than half of these workers are not offered plans at work, and about 20 percent do not participate in plans that are offered.

Workers age 30 to 64 have about the same likelihood of having retirement plans offered at work, and about half of them participate.

**Figure 5 – Private-sector retirement plans by age of worker**  
(Private sector, Colorado, 2011-2013)





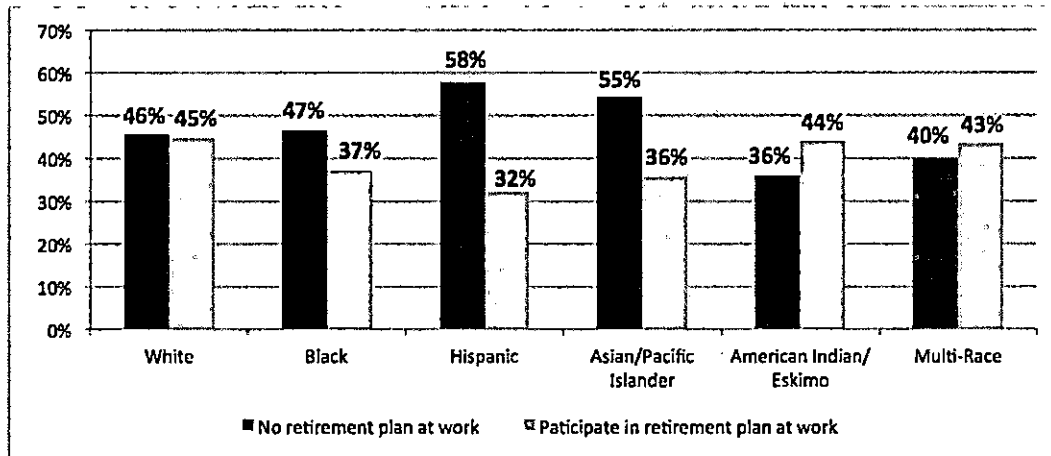
## Retirement at risk

### 4. Hispanics least likely to participate in retirement programs

Overall, whites and blacks have about the same likelihood of working for employers who offer workplace retirement plans. However, Hispanics and Asian/Pacific Islanders are less likely than whites and blacks to be offered plans. White workers are more likely to participate in workplace retirement plans than workers of most other races.

Hispanics are the least likely to participate, with only about one-third signed up for plans at work. This is a particular problem because Hispanics make up 20 percent of Colorado's population and were the fastest growing segment of our population between 2000 and 2010.<sup>4</sup>

**Figure 6 – Workplace retirement plans by race and ethnicity**  
(Private sector, 2011-2013)



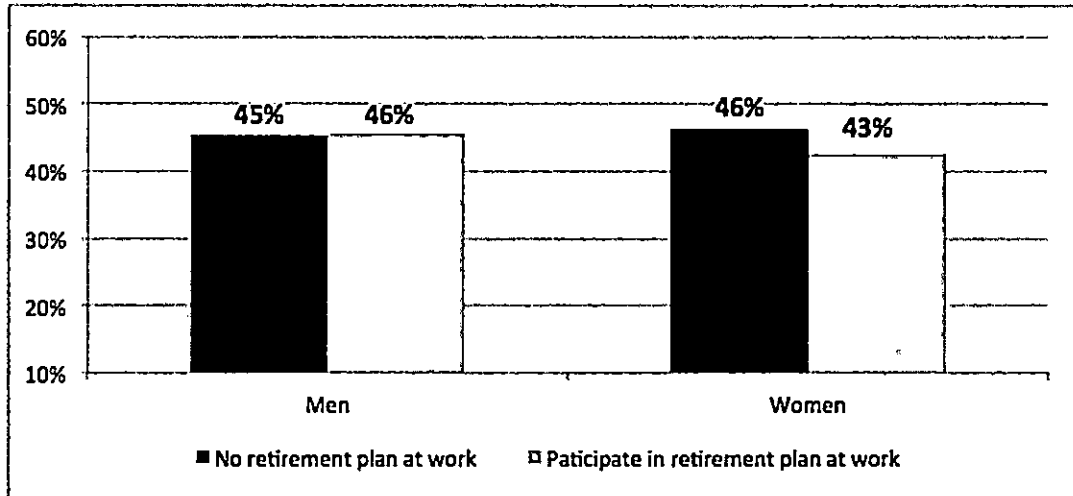
### Almost half of all working women and men lack workplace retirement plans

When looking at access to workplace retirement plans by gender, we find that about half of all men and women work for employers who do not offer retirement plans, and about 10 percent of workers of each gender do not participate in plans that are offered. (See Figure 7, next page.)



## Retirement at risk

Figure 7 – Private-sector workplace retirement plans by gender  
(Private sector, 2011-2013)



### Factors affecting access to workplace retirement plans

Researchers have studied access to workplace retirement plans, particularly for certain segments of the workforce, and identified several factors to explain the disparities.

A recent study by the Center for Retirement Research at Boston College found that the major reason low-income individuals do not participate in retirement plans is their employers do not offer them. These workers also tend to have periods when they are unemployed, which causes them to lose access to retirement plans. The researchers suggested that the best way to increase coverage for these workers is to create universal workplace retirement plans and to automatically enroll workers, with the option to dropping out if workers do not want to participate.<sup>5</sup> In other words, they suggest an “opt out” model rather than an “opt in” model.

In the case of small businesses, cost and complexity make it difficult to offer plans. Larger companies have human resources departments and can negotiate favorable terms with the companies that sell and administer retirement plans.

For small employers, who must devote almost all their time to running their businesses, sorting through the various options and establishing a plan can be daunting and expensive. In addition, small businesses, because of their size and wage levels, often are not attractive customers for companies that sell and administer retirement plans.

Surveys of small-business owners also show that the economic climate and prospects for their business’ profitability are factors in deciding whether to sponsor plans.<sup>6</sup>





## Retirement at risk

It is important for younger workers to get access to and participate in retirement plans early in their careers so they can build up their savings over a longer period of time. The main reasons these workers do not participate, other than lack of access, seems to be low earnings and lack of awareness.

As workers gain experience and advance in their careers, their earnings are likely to increase. They are better able financially to save for retirement and are also more likely to be aware of the need for retirement savings.

### Proposals for Expanding Access to Workplace Retirement Plans

President Obama, members of Congress, a number of states and public policy groups have all proposed approaches that the federal government and states could take to expand access to workplace retirement plans.<sup>7</sup> Many of these proposals focus on removing the barriers that employers, particularly small employers, face in providing plans for their workers.

In 2012, California took the boldest action to date and enacted the Secure Choice Retirement Savings Program.<sup>8</sup> This legislation authorized the creation of a voluntary, low-risk, automatic-enrollment retirement savings plan for an estimated 6.3 million California workers who currently lack access to retirement savings plans through their jobs. It will be administered through the State Treasurer's Office with oversight from a nine-member California Secure Choice Retirement Savings Investment Board.

The board is currently conducting a market analysis and feasibility study that is required by the authorizing statute to determine whether the legal and practical conditions for implementing the program can be met. The board has solicited information from a number of sources, including major investment firms and pension-management companies as part of its feasibility study.<sup>9</sup>

In 2013, the Oregon legislature created a Joint Interim Task Force on Retirement Savings.<sup>10</sup> It is developing recommendations for increasing the percentage of Oregonians saving for retirement or enrolled in a workplace retirement plan. The task force will consider a number of issues, including residents' access to employer-sponsored retirement plans and individual retirement products; the feasibility of creating a public-private partnership to offer plans or products directly to individuals; and the adoption and expansion of approaches that succeed in increasing participation in both employer-sponsored and individual retirement products.

The task force held its first meeting on March 18, 2014, and plans to meet at least four more times this year. It will report its recommendations to the legislature by Sept. 1.

Other states, including Connecticut, Maryland, Illinois, Rhode Island and Washington, have considered legislation to either create commissions to study ways to increase access to retirement savings plans or to establish retirement savings plan similar to California's proposal.<sup>11</sup>



## **Retirement at risk**

### **A Colorado solution**

Legislation (HB14-1377) has been introduced in the Colorado General Assembly to create the Colorado Retirement Security Task Force to study options to “promote greater retirement security for all Coloradans” and “develop recommendations for increasing the percentage of Coloradans who are enrolled in a retirement plan that will provide a secure retirement.”<sup>12</sup>

Among the factors the task force is directed to consider are the barriers individuals face in establishing a secure retirement plan; access to employer-sponsored retirement plans and individual retirement products offered; and estimates of the average amount of savings, pensions and other financial resources residents have upon retirement.

The task force is also directed to develop recommendations for establishing a Colorado Secure Retirement Plan for employees of private-sector companies. In developing the plan, the task force is directed to consider holding all contributions in a trust governed by a board of trustees, pooling retirement funds that would be managed professionally at low management costs and ensuring that workers can take the plan with them as they change jobs within the state. The task force is directed to issue its report and recommendations to the General Assembly by Dec. 1, 2015.

It is clear from the data presented in this brief that far too many Coloradans lack access to a reliable and accessible method to prepare for retirement while they are working. If we want all Coloradans to experience a financially secure retirement as a just reward for a life of hard work, we need to ensure there are appropriate mechanisms in place to help them. If we do not, we will face a retirement crisis.

Creating the Colorado Retirement Security Task Force is an important first step in addressing this problem. It will help us better understand the problem and draw on the knowledge and experience of a range of experts to develop practical and workable solutions for Colorado. As Coloradans, we take pride in our ability to craft solutions that are uniquely designed to meet the challenges we face. This is an opportunity we cannot afford to pass up.

### **Acknowledgement**

This report is part of the Bell Policy Center’s involvement as a state partner in the Working Poor Families Project, a national initiative supported by the Annie E. Casey, Ford, Joyce and Kresge foundations that seeks to strengthen state policies that can assist families striving to work their way into the middle class and achieve economic security. We gratefully acknowledge the project’s support of our work.



# Retirement at risk

## Endnotes

<sup>1</sup> This data is based on information from the U.S. Census Bureau's Current Population Survey. We combined data for three-year periods beginning in 1996-98 and extending through 2010-2013 to increase the reliability and accuracy of the data.

<sup>2</sup> Working Poor Families Project, Data on the Conditions of Working Families, Percentage of Jobs in Occupations with Median Annual Pay Below Poverty Threshold for a Family of Four, Population Reference Bureau analysis of Occupational Employment Statistics, Bureau of Labor Statistics, May 2012. <http://www.bls.gov/oes/>

<sup>3</sup> Colorado Department of Labor and Employment, Colorado Labor Market Information, LEHD Colorado County Reports, Quarterly Workforce Indicators, CDLE website, accessed April 2, 2014, <http://www.coworkforce.com/lmi/LED/coqwi.asp>

<sup>4</sup> Colorado Latino, Leadership, Advocacy and Research Organization, *Latino Demographics A Statewide Report of Colorado Counties 2012*,

<http://www.larasa.org/Resources/Documents/REVISED%20Research%20Brief%20Final%20OM.pdf>

<sup>5</sup> Center for Retirement Research at Boston College, *Why Don't Lower-Income Individuals Have Pensions?*, Yanyuan Wu, Matthew S. Rutledge and Jacob Penglase, Number 14-8, April 2014, [http://crr.bc.edu/wp-content/uploads/2014/04/IB\\_14-8.pdf](http://crr.bc.edu/wp-content/uploads/2014/04/IB_14-8.pdf)

<sup>6</sup> Reasons Cited for Not Offering a Retirement Plan in "Small Employers Without Plans," Small Employer Retirement Survey 2003, analysis by the Employee Benefit Research Institute, <http://www.ebri.org/pdf/surveys/sers/2003/03sersfl.pdf>

<sup>7</sup> The White House, FACT SHEET: Opportunity for All: Securing a Dignified Retirement for All Americans <http://www.whitehouse.gov/the-press-office/2014/01/29/fact-sheet-opportunity-all-securing-dignified-retirement-all-americans>; The Senate Health Education and Pensions Committee, HELP Chairman Tom Harkin Introduces the USA Retirement Funds Act, January 30, 2014, <http://www.help.senate.gov/newsroom/press/release/?id=841825d1-509e-4934-9d7e-968d0853b795>; National Conference of State Legislatures, State Sponsored Retirement Savings Plans for Non-public Employees, State Legislation, Ron Snell, Updated October 1, 2012. <http://www.ncsl.org/research/labor-and-employment/state-sponsored-retirement-plans-for-nonpublic.aspx>; New America Foundation, Designing California's Secure Choice Savings Program, Michael Calabrese, Reid Cramer and Aleta Sprague, November 2013, [http://assets.newamerica.net/sites/newamerica.net/files/policydocs/CA%20Secure%20Choice%20Policy-Formatted\\_0.pdf](http://assets.newamerica.net/sites/newamerica.net/files/policydocs/CA%20Secure%20Choice%20Policy-Formatted_0.pdf); The Heritage Foundation, Pursuing Universal Retirement Security Through Automatic IRAs and Account Simplification, David C. John, April 17, 2012, <http://www.heritage.org/research/testimony/2012/04/pursuing-universal-retirement-security-through-automatic-iras-and-account-simplification>; Center for Economic and Policy Research, Universal Voluntary Accounts: A Step Towards Fixing the Retirement System, Dean Baker, December 2006, [http://www.cepr.net/documents/publications/universal\\_voluntary\\_accounts.pdf](http://www.cepr.net/documents/publications/universal_voluntary_accounts.pdf); American Association of Actuaries, Retirement for the Ages, Building Enduring Retirement-income Systems, January 2014, [http://www.actuary.org/files/PPC-Forward\\_AGES-Monograph\\_01-16-14.pdf](http://www.actuary.org/files/PPC-Forward_AGES-Monograph_01-16-14.pdf); National Conference on Public Employee Retirement Systems, The Secure Choice Pension: A Way Forward for Retirement Security in the Private Sector, September 2011, <http://www.retirementsecurityforall.org/document.php?f=plan>

<sup>8</sup> California, SB 1234, Chapter 734 [http://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201120120SB1234](http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201120120SB1234)

<sup>9</sup> California Secure Choice Retirement Investment Board, <http://www.treasurer.ca.gov/scib/index.asp>

<sup>10</sup> Oregon HB3436, <https://olis.leg.state.or.us/liz/2013R1/Measures/Overview/HB3436>

<sup>11</sup> See NCSL, State Sponsored Retirement Savings Plans for Non-public Employees, State Legislation at 7 above

<sup>12</sup> Colorado General Assembly, House Bill 14-1377,

[http://www.leg.state.co.us/Clis/CLICS2014A/csl.nsf/fsbillcont3/BA157A6CC4BF027D87257C300006BAAF?Open&file=1377\\_01.pdf](http://www.leg.state.co.us/Clis/CLICS2014A/csl.nsf/fsbillcont3/BA157A6CC4BF027D87257C300006BAAF?Open&file=1377_01.pdf)